

## Accounting for Pass-Through Grants and Cooperative Projects

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Frequently California school districts and county offices of education enter into agreements with other local educational agencies (LEAs) to more effectively operate a program. Multiple LEAs may pool their resources to operate certain projects cooperatively (cooperative projects) or one LEA may pass revenue to multiple LEAs (pass-through grants). There are three accounting models commonly used to record these transactions between the LEAs: cash conduits, pass-through grants, or contracts for services. It is necessary to analyze each agreement to make sure that all the participants have implemented the appropriate model.

### Cash Conduits

In general, Governmental Accounting Standard Board (GASB) Statement 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, requires the recipient LEA to report pass-through grants as revenues and expenditures in a governmental fund. However, there are some infrequent cases in which a recipient LEA serves only as a cash conduit. This situation exists when the recipient LEA only transfers money from a grantor to the grantee, and the recipient LEA has no administrative or direct financial involvement in the program. In this case, the recipient LEA should report the grant in an agency fund as additions and deletions of cash. Unlike governmental funds, agency funds are custodial; LEAs report only the assets held for other agencies and the corresponding amounts due to those agencies but do not report revenues, expenditures, or fund balances.

### Pass-Through Grants

More frequently, the recipient LEA has either administrative or direct financial involvement in a grant, and the funds must be reported in a governmental fund. Different procedures are used to report (1) grants in which the LEA has administrative involvement only; and (2) grants in which the LEA also has direct financial involvement.

1. Administrative Involvement

An LEA has administrative involvement in a pass-through grant if it (a) monitors subrecipient LEAs for compliance with requirements; (b) determines the eligible subrecipient LEAs or projects, even if using grantor-established criteria; or (c) has the ability to exercise discretion in how the funds are allocated. For example, the money from federal forest reserves is a pass-through grant in which a county office

has administrative involvement. Therefore, the funds that a county office transfers to other LEAs are reported as a pass-through grant. (See Example 206, Forest Reserve, *CSAM, Part II.*)

The accounting for a pass-through grant is as follows:

- **Recipient LEAs**  
For those pass-through grants in which the recipient LEA has administrative involvement only, the recipient LEA reports the receipts as pass-through revenues (Objects 8287, 8587, or 8697) and the disbursements as transfers of pass-through revenues (Objects 7211, 7212, or 7213) in the General Fund/County School Service Fund. The disbursements are also reported in the All Other Outgo Program.

*SACS Reporting:* For those pass-through grants in which the recipient LEA has administrative involvement only, the recipient LEA reports the receipts as pass-through revenues (Object 8287, 8587, or 8697) and in the specific resource code of the grant. The disbursements are reported as transfers of pass-through revenues (Object 7211, 7212, or 7213) in the undistributed goal (Goal 0000) and in Function 9200, Transfers Between Agencies.

- **Subrecipient LEAs**  
The subrecipient LEAs report these grants in the specific revenue accounts (e.g., 8290, Other Federal Revenues) that identify the grants. The expenditures are reported in the appropriate object accounts (e.g., 1100, Teachers' Salaries; 4300, Materials and Supplies) that describe the expenditures. The expenditures are also reported in the appropriate Instructional, Special Project, or Support Services programs.

*SACS Reporting:* The subrecipient LEAs report these grants in the specific resource code of the grant and in the revenue object of the grant (e.g., 8290, Other Federal Revenue). The expenditures are reported in the specific resource and the appropriate goal, function, and object codes that properly classify the expenditures.

## 2. Administrative and Direct Financial Involvement

An LEA has direct financial involvement in a pass-through grant if it is liable for disallowed costs or funds part of the costs. By having financial involvement in a pass-through grant, a recipient LEA also has administrative involvement, such as monitoring the compliance of subrecipients. For clarity, in these cases the transaction should be referred to as a "contract for services" between LEAs; that is, a transaction in which the grantor has awarded the funding to the recipient LEA, who then contracts with subrecipients to carry out the terms of the grant under the direction of the recipient.

- **Recipient LEAs**  
The recipient LEA reports these grants in the specific revenue accounts that identify the grants. The disbursements to subrecipient LEAs are reported as contracted service expenditures in Object 5800, Other Services and Operating

Expenditures. When such expenditures are reported in the General Fund/County School Service Fund, they are also reported in the appropriate Special Project programs.

*SACS Reporting:* For those pass-through grants in which the recipient LEA has administrative and direct financial involvement, the recipient reports the grants in the specific resource and revenue objects that identify the grants. The disbursements to subrecipient LEAs are reported as contracted service expenditures (Object 5800) with the appropriate goal and function.

- **Subrecipient LEAs**  
The subrecipient LEAs report the revenues as interagency revenues in Object 8677, Interagency Services, except for federal moneys. So that federal interagency revenues can retain their federal identity, they are reported in Object 8285, Interagency Contracts. The expenditures are reported in the appropriate objects that describe the expenditures. When such expenditures are reported in the General Fund/County School Service fund, they are also reported in the J-380/580/780 Report. If the direct costs are instructional, they are reported in EDP 461, Nonagency Activities—Educational. If the direct costs are noninstructional, the expenditures are reported in the Nonagency Activities Program when the costs of support services are distributed back to user programs (i.e., instructional programs, special projects, and other activities).

*SACS Reporting:* The subrecipient LEA reports the revenues in the appropriate resource as interagency revenues in Object 8677, Interagency Services, except for federal moneys. So that federal interagency revenues can retain their federal identity, they are reported in Object 8285, Interagency Contracts. The expenditures are reported in the Nonagency goal (Goal 7010) with the appropriate function and object codes that properly classify the expenditures.

## Transfers of Apportionment

In California, two types of programs—state apportionment for special education and state apportionment for ROC/P—may be accounted for as “transfers of apportionment” rather than as pass-through grants. If a district participates in a joint powers agreement/agency (JPA) in which the JPA operates an ROC/P, the district recognizes the ROC/P apportionment as a principal apportionment ROC/P entitlement (Object 8311). The district then reports the transfer of funds to the JPA as Other Outgo—ROC/P Transfers of Apportionment to JPAs (Object 7233).

*SACS Reporting:* If a district participates in a JPA in which the JPA operates an ROC/P, the district recognizes the ROC/P apportionment as other state apportionment (Resource 6350 and Object 8311) and reports the transfer of funds to the JPA as transfers of apportionment to JPAs (Resource 6350, Function 9200, and Object 7223).

## Cooperative Projects

California school districts and county offices of education often pool their resources and operate certain federal and state projects cooperatively.

Some cooperative projects are formed to meet certain criteria established by the participants, and their resources are pooled. This approach usually calls for one school district or county office to operate the projects for one or more other school districts or county offices. The operating school agency is usually referred to as a local operating agency. Typically, this is a local decision, not a condition of the grant itself, and the appropriate accounting follows the “contract for services” model. LEAs that participate in this type of cooperative project must report the revenue and expenditures resulting from their involvement in the project as follows:

1. Each participating LEA records its share of the project’s revenue in the appropriate revenue classification. If it is the No Child Left Behind (NCLB), Title I, project, for example, the revenue will appear in Object 8160. For LEAs using SACS, the revenue will be reported in Resource 3010, Object 8290.
2. Each participating LEA records its share of the cost of the project in Object 5800, Other Services and Operating Expenditures, as a direct cost to the appropriate special project or to the appropriate resource in SACS when it pays the local operating agency. Its share of the cost will normally be equal to its share of the revenue.
3. During the project year, the local operating agency must account for all the costs in the appropriate expenditure objects under Auxiliary Programs, Nonagency Activities–Educational, or Goal 7110, Nonagency–Educational, in SACS. The local operating agency should bill each participating LEA periodically for its share to date, or at least by the end of the year, and record the revenue received in the contract services object as specified for Nonagency Activities. The local operating agency will report those costs to the Nonagency Activities Program or Nonagency goal in SACS. The participating LEAs will report their costs to the appropriate special projects or goals in SACS.

Other cooperative projects are established only to meet specific federal grant or entitlement requirements. Such projects usually require that one LEA serve as the applicant for purposes of disbursing federal funds to the other participating LEAs, which operate their own projects in this situation. In the implementation of this type of cooperative project, the grantor has accepted the arrangement of one LEA serving as the lead, and the appropriate accounting follows the “pass-through” model. In addition, periodic cash advances may be made directly to the applicant LEA for deposit and disbursement. For example, applicant LEAs should deposit their own prorated revenue in an account under revenue Object 8160, NCLB, Title I, and the prorated amounts for participating LEAs under Object 8287, Pass-through Revenues from Federal Sources. A copy of the cooperative agreement filed with the county office will serve to authorize

payment to the participating LEAs. Disbursement transactions by the applicant LEA should be handled as transfer of pass-through revenue (Object 7211, 7212, or 7313). Participating LEAs should record revenue under Object 8160 or Resource 3010 and Object 8290 in SACS.

### Summary of Pass-through Codes (in SACS)

#### I. Pass-through of Apportionment (Resource 6500, Special Education, and Resource 6350, ROC/P, only)

Original Recipient	Subrecipient
01-6500-0-5001-0000- <b>8311</b>	
Receive revenue	
01-6500-0-5001-9200- <b>7221, 2, 3</b>	01-6500-0-5001-0000- <b>8791, 2, 3</b>
Transfer out apportionment	Transfer in of apportionment
	01-6500-0-5XXX-XXXX-XXXX
	Expenditure for programs

#### II. Pass-through of All Other Resources (Federal, State, or Local)

Original Recipient	Subrecipient
01-3310-0-5001-0000- <b>8287</b>	
Receipt of federal money to be passed	
01-3310-0-5001-9200- <b>7211, 2, 3</b>	01-3310-0-5001-0000- <b>8181</b>
Pass-through of resource	Receipt of resource
	01-3310-0-5XXX-XXXX-XXXX
	Expenditure for programs
01-7110-0-0000-0000- <b>8587</b>	
Receipt of state money to be passed	
01-7110-0-0000-9200- <b>7211, 2, 3</b>	01-7110-0-0000-0000- <b>8590</b>
Pass-through of resource	Receipt of resource
	01-7110-0-XXXX-XXXX-XXXX
	Expenditure for programs
01-9110-0-0000-0000- <b>8697</b>	
Receipt of local money to be passed	
01-9110-0-0000-9200- <b>7221, 2, 3</b>	01-9110-0-0000-0000- <b>8699</b>
Pass-through of resource	Receipt of resource

### III. Contract for Services

Original Recipient	Subrecipient
01-6500-0-5001-0000- <b>8311</b>	
Receipt of resource revenue	
01-6500-0-5750-1110- <b>5800</b>	01-9010-0- <b>7110</b> -0000- <b>8677</b> <b>(8285 federal)</b>
Pay for services provided to recipient	Payment for providing services
	01-9010-0- <b>7110</b> -1110-XXXX
	Expenditure to provide the service